



Employees' Retirement Board of Rhode Island
Monthly Meeting Minutes
Wednesday, September 10, 2014
9:00 a.m.
2nd Floor Conference Room, 50 Service Avenue

The Monthly Meeting of the Retirement Board was called to order at 9:01 a.m. Wednesday, September 10, 2014, in the 2nd Floor Conference Room, 50 Service Avenue, Warwick, RI.

I. Roll Call of Members

The following members were present at roll call: Deputy Treasurer Mark A. Dingley, Esq., designee for Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Roger P. Boudreau; Michael R. Boyce; Mark A. Carruolo; Peter Dennehy, Esq., designee for Steven T. Hartford; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Claire M. Newell and Jean Rondeau.

Also in attendance: Frank J. Karpinski, ERSRI Executive Director and Attorney Michael P. Robinson, Board Counsel.

Recognizing a quorum, Vice Chair Finelli called the meeting to order.

Roger P. Boudreau arrived at 9:02 a.m.

II. Approval of Minutes

On a motion by Gary R. Alger, Esq., and seconded by John P. Maguire it was unanimously

VOTED: To approve the draft minutes of the July 9, 2014 meeting of the Retirement Board of the Employees' Retirement System of Rhode Island.

III. Chairperson's Report

Executive Director Karpinski apprised the Board that Chief Investment Officer Anne-Marie Fink will provide the June 30 fiscal year update on investments.

Ms. Fink said she would be providing a performance update on the defined benefit plan comprised of three topics; namely, discussion on the June quarterly review, June's end of fiscal year as well as the longer-term performance and lastly discussion on the July 2014 performance.

Ms. Fink noted the July report covering the data at June 30, 2014 and the August report covering data at July 31, 2014 period. First, Ms. Fink discussed the June quarterly review where stocks and bonds were strong. Ms. Fink said the portfolio rose 3.4% with 7.3% of risk, which is slightly ahead of State Investment Commission's (SIC) benchmark and slightly behind the basic 60% equities/40% bond portfolio. She noted that the portfolio had less risk than both of these alternatives and results are positive on risk weighted basis.

Ms. Fink noted that the DB Plan fiscal year to date portfolio return was 15.1% through end of June 2014 with the same 7.3% risk that reflects a favorable return on an absolute basis. She said it was a slightly behind the SIC's benchmark of 15.5% and for a basic 60% equities/40% bond portfolio of 15.3%. Ms. Fink noted that real estate was the laggard with the portfolio performance also affected by a secondary sale by the SIC to reposition the portfolio taking discounts as a result. Ms. Fink reported the SIC's real estate portfolio was up 9.5% on fiscal year versus the 12.2% benchmark. She noted that on a long-term basis, the fund averaged 9.1% over a 3-year basis compared to 7.9% relative to the basic 60% equities/40% bond portfolio. She said when looking at a 10-year basis, the portfolio averaged 7% a year compared to 6.8% on the basic 60% equities/40% bond portfolio.

Mr. Maguire asked Ms. Fink to what 10-year period she was referring. She said it was July 1, 2005 to June 30, 2014.

Lastly, Ms. Fink explained that July was a difficult month in the markets. She noted that US equity markets fell almost 2%; global equity markets fell 1.2%, and bonds lost a ¼%. However, Ms. Fink noted that the risk-controlled approach by SIC yielded only 7/10 of a percent loss.

Ms. Fink said representatives from TIAA-CREF would give the performance update on the Defined Contribution (DC) portfolio. However, Ms. Fink briefly discussed the investment portion of the DC Plan stating that the overall performance is on target and that over \$275 million of assets in the plan are doing well. She said since assets were large enough, the SIC had the ability to move into similar-strategy products that effectively provide a volume discount thus keeping costs low without impacting the strategy.

Executive Director Karpinski then introduced Mr. Darren Lopes, Senior Relationship Manager, and Laurence E. Brown, Director Institutional Investment Strategist, both from TIAA-CREF Financial Services.

Mr. Lopes provided a summary of the DC Plan stating that the total plan assets are \$277 million as of June 30, 2014, after 2 years of operation, and the value as of August 30 is \$297 million. He noted that the total contributions on a rolling 12-month period were \$126,084,805. He provided a breakdown of participants, noting that a majority of participants (57%) are between mid-career and retirement age. Mr. Lopes said that there was not much change from last quarter's update in that 92% of assets are in Vanguard Lifecycle Trusts. He discussed the plan assets by investments, which are a mix of active investments and index funds and noted how participants' average asset balances have increased. Mr. Lopes reviewed the ongoing counseling sessions provided by TIAA-CREF. Mr. Lopes stressed the importance of coordination with labor leaders and employers in setting up counselling sessions for participants.

Next, Mr. Laurence Brown discussed the 2014 YTD Performance. Mr. Brown said TIAA-CREF had gone from offering 11 options to 12 options adding the Social Choice Equity Portfolio. He noted the S & P 500 Index fund offered through Vanguard allows a cheaper share class lowering investment fees because of the \$5 million assets size attained. He said the Vanguard index funds, which are currently in the *Signal Share* class, will have a change in name next month to the *Admiral Share* class. Mr. Brown noted the plans permitted participants to fully participate in the market. He noted the Target Date funds which are passively managed had returns ranging from 9% to 22%.

Mr. Maguire asked Mr. Brown when the passively managed target funds make adjustments. Mr. Brown said it is incremental, generally done on the cash flow, and is usually done monthly.

Mr. Brown talked about the 3 and 5-year returns that he noted ranking versus peer returns. Mr. Brown said the Target Retirement Trust are trusts and not funds and thus do not allow TIAA-CREF to disclose the peer group rankings, but their mutual fund equivalents have peer group rankings which are very competitive. Mr. Brown said the fees are net expense ratios where their returns are ranked well amongst their peers. In summary, he said there is a good coverage of the broad asset classes in a very competitive environment largely through passive options.

Mr. Maguire asked Mr. Brown if the Board can be provided the total dollar fees paid ending June 30, 2014 at next month's Board meeting, Mr. Brown agreed.

IV. Executive Director's Report

Director Karpinski apprised the Board that they were in possession of the two Disability Subcommittee Reports dated August 15, 2014 and September 5, 2014 as well as both the July and August 2014 *Pension Application Reports*. The Director noted the TIAA-CREF report had been handed out earlier. Also included in the Board book is the actuarial valuation as of June 30, 2013 by Gabriel, Roeder, Smith and Company (GRS) of the Teachers' Survivors Benefit Fund which Mr. Joseph P. Newton of GRS will presenting via Skype®. Director Karpinski also noted he will discuss a transitional policy, also provided in the Board book, regarding the *revised* Rhode Island General Law §36-10-31 regarding workers compensation.

The Director then connected Mr. Joseph P. Newton FSA, Senior Consultant of GRS. Mr. Newton noted that the plan provides survivor benefits for teachers who do not contribute to Social Security. He said the plan is very well-funded as of June 30, 2013 and noted there was about \$175 million in liabilities and about \$261 million in assets with a GASB funded ratio of 149%. Mr. Newton said he performed a stress test on the fund to see how low the discount rate could go before a contribution increase was required. He said even with a 6% investment return assumption, increased contributions would not be required and thus there is room for adverse experience.

On a motion by Mark A. Dingley, Esq., and seconded by Daniel L. Beardsley, it was unanimously

VOTED: To approve the actuarial valuation as of June 30, 2013 by Gabriel, Roeder, Smith and Company of the Teachers' Survivors Benefit Fund.

Director Karpinski then discussed a proposed transition policy given the enactment of a change to Rhode Island General Law §36-10-31 entitled *Deduction of amounts received from workers' compensation or as damages*. He noted that it was applicable to state employees. Effective July 1, 2014, the Director said the law for workers' compensation offset for state employees was revised to provide the same exclusion enacted in June 22, 2010 for Municipal employees i.e., "*...Medicare set aside allocation, specific compensation benefits or any benefits due pursuant to the terms of a collective bargaining agreement...*"

The Director said for state employees, the new law would be applied to anyone who retired on a disability retirement who terminated employment on or after July 1, 2014. Director Karpinski noted that ERSRI has not yet determined treatment of any benefits due pursuant to the terms of a collective bargaining agreement at this time. Also, as

there is no modification to Teachers, ERSRI will continue to offset Medicare set aside allocations, and specific compensation including scarring/disfigurement and loss of use payments.

Regarding State Employees, the new law discontinuing the offset for Medicare set-aside allocations or for specific compensation including scarring/disfigurement and loss of use payments (the “Offset”) will be applied effective July 1, 2014 in the following manner:

- If the Offset has been completed as of July 1, 2014, it will remain offset. No adjustment will be made.
- If the Offset is in progress as of July 1, 2014, it will cease as of the July 2014 pension payments.
- If the Offset has not yet begun due to the employee not yet terminating employment, having terminated but not yet having accepted their disability retirement, or who is being offset due to other payments they may be collecting from workers’ compensation (such as weekly payments), no Offset will be taken after July 1, 2014.

Director Karpinski said if the Board approves this policy, it would be implemented effective July 1, 2014.

Mr. Beardsley asked if the Treasurer was consulted with this proposed change for State Employees and yet not for Teachers? Mr. Dingley said the Treasurer’s office was not consulted.

Mr. Maguire asked if the offset would terminate sometime in the future. Director Karpinski said yes. He said, for example, if the offset started in 2012 and would exhaust in 5 years, it still would stop as of July 1, 2014.

On a motion by Jean Rondeau and seconded by Thomas A. Mullaney, it was unanimously

VOTED: To implement the Transitional Policy related to RIGL §36-10-31 as presented by the Director.

Director Karpinski updated the Board on the “*Report of Contributions*” delinquency report in the Board book. He noted that Central Falls Collaborative Teachers is current. The Director also noted on the MERS report that Warren Housing Authority, the Town of Bristol, Bristol Police, Bristol Fire Department, the Town of Bristol EE Highway, and Central Falls Housing Authority are all current. For those remaining owed contributions, the normal collection of funds procedure will be initiated if payment contributions are not received today.

Mr. Finelli asked Director Karpinski about healthcare deductions for retirees and inquired when payments would cease in light of the new healthcare exchange. Director Karpinski noted that deductions ceased with the August pension payroll and the September payment will not have a deduction (i.e. for October’s premium).

V. Administrative Decisions

Disability Appeal – Christopher J. Leveille vs. ERSRI

Included in Board Members' Books, under separate cover, were the Findings of Fact as concluded by the Disability Subcommittee, transcripts from the appeal of the Disability Subcommittee, medical and supporting information in the matter of *Christopher J. Leveille vs. ERSRI*. Attorney Robinson asked if consistent with Regulation Number 9, *Rules pertaining to the application to receive an Ordinary or Accidental Disability Pension*, there were any written briefs, legal memoranda, or exceptions to the conclusions and recommendation of the Disability Subcommittee, which must have been submitted to the Executive Director not later than 10 days prior to the hearing. Director Karpinski apprised the Board that all the information that was received relative to the case from the Disability Subcommittee was included in the Board members' books.

Attorney Robinson then said that pursuant to ERSRI's regulations, each party to the proceeding has the right to appear and to make oral arguments before the Retirement Board. Consistent with the Board's long standing policy, he apprised the appellant's attorney that this is not an opportunity to present new factual material or evidence to the Board, and that pursuant to ERSRI's regulations and Rhode Island case law, the Board owes deference to the Disability Subcommittee on factual determinations and questions of credibility, and will not overturn those determinations of fact or credibility unless such determinations are found to be clearly wrong.

There being a stenographer present, Attorney Robinson then provided a synopsis of the matter. Attorney William A. Maccarone was representing Mr. Leveille. The parties thereafter presented their respective positions.

At the conclusion of the presentations, a motion was made by Roger P. Boudreau and seconded by Michael R. Boyce to reverse the decision of the Disability Subcommittee denying the accidental disability application. A roll call was taken, and the following members voted Yea: Vice Chair William B. Finelli; Roger P. Boudreau; Michael R. Boyce; Mark A. Carruolo; John P. Maguire; John J. Meehan and Claire M. Newell. The following voted Nay: Mark A. Dingley, Esq.; Gary R. Alger, Esq.; Daniel L. Beardsley; Peter Dennehy, Esq.; Thomas A. Mullaney; and Jean Rondeau.

There being 13 votes cast, 7 voted in the affirmative, and 6 voted in the negative. Consistent with Rhode Island General Laws §36-8-6, *Votes of the Board -- Record of Proceedings*, there being a majority vote of the members present and voting at which a quorum is present, it was then

VOTED: To reverse the decision of the Disability Subcommittee in the matter of *Christopher J. Leveille vs. ERSRI* and approve his application for an accidental disability benefit.

Administrative Appeal – John R. Grasso vs. ERSRI

Included in Board Members' Books was the Hearing Officer's written decision, along with exhibits and supporting information in the matter of *John R. Grasso vs. ERSRI*. Attorney Robinson asked if consistent with Regulation Number 4, *Rules of Practice, and Procedure for Hearings*, there were any written briefs, legal memoranda, or exceptions

to the decision of the Hearing Officer, which must have been submitted to the Executive Director not later than 10 days prior to the hearing. Director Karpinski apprised the Board that everything received by ERSRI is included in the packet.

Attorney Robinson then said that pursuant to ERSRI's regulations, each party to the proceeding has the right to appear and to make oral arguments before the Retirement Board. Consistent with the Board's long standing policy, he apprised the appellant's attorney that this is not an opportunity to present new factual material to the Board, and that pursuant to ERSRI's regulations and Rhode Island case law, the Board owes deference to the Hearing Officer on factual determinations and questions of credibility, and cannot overturn the Hearing Officer on determinations of fact or credibility unless such determinations are found to be clearly wrong.

Attorney Robinson made notation that Attorney Timothy M. Bliss, representing the City of Cranston, was also present for this hearing.

There being a stenographer present, Attorney Robinson then provided a synopsis of the matter, including the decision from Hearing Officer Koutsogiane. Attorney Joseph F. Penza, Jr. was representing Mr. Grasso. The parties thereafter presented their respective positions.

Following presentation of the parties' positions, a motion was made by Peter Dennehy, Esq. and seconded by Jean Rondeau to uphold the Hearing Officer's decision based on the findings of fact and conclusions of law as found by the Hearing Officer thus permitting ERSRI to send Mr. Grasso for an IME and be subject to income restrictions. A roll call was taken, the following members voted Yea: Mark A. Dingley, Esq.; Vice Chair William B. Finelli; Gary R. Alger, Esq.; Daniel L. Beardsley; Roger P. Boudreau; Mark A. Carruolo; Peter Dennehy, Esq.; John P. Maguire; Thomas A. Mullaney; Claire M. Newell; and Jean Rondeau. The following members voted Nay: Michael R. Boyce and John J. Meehan.

There being 13 votes cast, 11 voted in the affirmative, and 2 voted in the negative. Consistent with Rhode Island General Laws §36-8-6, *Votes of the Board -- Record of Proceedings*, there being a majority vote of the members present and voting at which a quorum is present, it was then

VOTED: To uphold the Hearing Officer's decision based on the findings of fact and conclusions of law as found by the Hearing Officer thus permitting ERSRI to send Mr. Grasso for an IME and be subject to income restrictions.

VI. Approval of the July and August Pensions as Presented by ERSRI

On a motion by Daniel L. Beardsley and seconded by Gary R. Alger, Esq., it was unanimously

VOTED: To approve the July and August pensions as presented.

VII. Legal Counsel Report

Attorney Robinson apprised the Board of a matter regarding George Grimes, a Pawtucket Shea High School teacher arrested on May 22, 2014 and charged with possession of child pornography. He noted there is no conviction in the record nor has Mr. Grimes submitted a guilty plea or a plea of *nolo contendere*. There is no defense counsel or prosecutor appointed at present as the case is still in the preliminary stages.

Mr. Grimes has requested a refund of his contributions. Attorney Robinson then said per the statute, a threshold requirement for the Board's bringing action to revoke someone's pension is that there must be a conviction of a qualifying felony and/or a plea of guilty or nolo contendere to one of the statute's enumerated crimes. Attorney Robinson's recommendation to the Board was that the Executive Director process Mr. Grimes' refund application.

VIII. Committee Reports

Disability Subcommittee:

The Disability Subcommittee recommended the following actions on disability applications for approval by the full Board as a result of its meeting on Friday, August 15, 2014:

Name	Membership Group	Type	Action
1. Mary Maclaughlin	Municipal	Accidental	Postpone
2. Frederick Lataille	Municipal	Accidental	Postpone
3. Kurt Strakaluse	Municipal	Ordinary	Postpone
4. James Clifford	State	Accidental	Approved @ 50%
5. Stephen Alfonso	State	Accidental	Postpone
6. Arthur White, Jr.	State	Accidental	Approve
7. Kathleen Murphy	State	Accidental	Postpone
8. Kevin Lang	Municipal	Accidental	Denied for Accidental; Approved for Ordinary*
9. Richard Dougan	State	Ordinary	Approve
10. Herminia Collado	Teacher	Ordinary	Deny

Name	Membership Group	Type	Action
11. John Shey, Jr.	State	Ordinary	Approve
12. Joseph Szymkowicz	Teacher	Ordinary	Approve
13. Suzette Blais	Teacher	Ordinary	Approve
14. Greg St. Jean	Municipal	Ordinary	Approve
15. John Motta	State	Ordinary	Approve
16. Kevin Reynolds	Municipal	Ordinary	Approve

*Re: Kevin Lang—on 9/3/14 the applicant, through his attorney, requested that his application for ordinary disability pension be withdrawn and that the Board only consider the application for accidental.

On a motion by Michael R. Boyce and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, August 15, 2014 on items 4, 5, 6, 7, 9 11 and 15.

Claire M. Newell recused herself from the vote on numbers 4, 5, 6, 7, 9, 11, and 15.

On a motion by Michael R. Boyce and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, August 15, 2014 on items 10 and 12.

John P. Maguire recused himself from the vote on numbers 10 and 12.

On a motion by Michael R. Boyce and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, August 15, 2014 on items 1, 2, 3, 8, 13, 14, and 16.

The Disability Subcommittee recommended the following actions on disability applications for approval by the full Board as a result of its meeting on Friday, September 5, 2014:

Name	Membership Group	Type	Action
1. Robert Lincourt	Municipal	Accidental	Deny
2. Patricia Zarembka	Teacher	Ordinary	Approve
3. David Palumbo	State	Accidental	Approve
4. John Paliotta	Municipal	Accidental	Move to reject his application
5. Mary Maclaughlin	Municipal	Accidental	Postpone
6. Frederick Lataille	Municipal	Accidental	Postpone
7. Curtis Pollard	State	Accidental	Approve
8. Benita Fernandez	State	Accidental	Deny
9. David Lashus	Municipal	Accidental	Deny
10. Anna Canto	State	Accidental	Approved @ 50%
11. Michelle Cavanagh	State	Ordinary	Accepted the Review
12. Robin Ensign	Municipal	Accidental	Approve
13. William Kerwin	State	Accidental	Postpone
14. Janet Ragno	Teacher	Accidental	Deny
15. Jane Sylvia	Teacher	Ordinary	Deny

Name	Membership Group	Type	Action
16. Sheila Diprete	State	Ordinary	Deny
17. Pamela Monaghan	State	Ordinary	Approve
18. Robert Terra	Municipal	Ordinary	Approve
19. Alicia McCormick	Teacher	Ordinary	Approve
20. Anne Arvidson	Teacher	Ordinary	Approve

On a motion by Michael R. Boyce and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, September 5, 2014 on items 3, 7, 10, 11, 16, 17, and 18.

Claire M. Newell recused herself from the vote on numbers 3, 7, 10, 11, 16, 17, and 18.

On a motion by Michael R. Boyce and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, September 5, 2014 on item 13.

John J. Meehan recused himself from the vote on number 13.

On a motion by Michael R. Boyce and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, September 5, 2014 on item 19.

John P. Maguire recused himself from the vote on number 19.

On a motion by Michael R. Boyce and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, September 5, 2014 on items 1, 2, 4, 5, 6, 8, 9, 12, 14, 15 and 20.

Vice Chair Finelli wanted to acknowledge the lengthy time and effort given during the last two Disability Subcommittee meetings that comprised a multitude of cases being presented. Mr. Finelli personally thanked the Disability Subcommittee for their superb job, including Attorney Peter Dennehy, Daniel L. Beardsley, Michael R. Boyce, and General Counsel/Deputy Treasurer Melissa A. Malone as well as the staff, namely Gayle Mambro-Martin, Esq., in-house legal counsel, Executive Director Frank J. Karpinski, Dr. Christopher Ley, medical advisor to the Board and all others who assisted in the preparation for these meetings.

IX. Adjournment

There being no other business to come before the Board, on a motion by Mark A. Carruolo and seconded by Roger P. Boudreau, the meeting adjourned at 11:28 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director